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(via e-mail to: comments@nwcouncil.org)

November 19, 2004

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Re: Comments on the Northwest Power and Conservation Council's
Draft 5th Power Plan

The Washington State Department of Community, Trade, and Economic Development (CTED) is pleased to have the opportunity to comment on the Council's draft 5th Power Plan. We commend the Council for the very high quality of the Plan. Since the early 1980s, the Council's plans have been critical documents in establishing a roadmap for our region's electricity future. We would not have weathered the "perfect storm" of the 2000/2001 West Coast electricity crisis without the implementation of the Council's previous action plans, especially the region's foresighted investment in 2,500 aMW cost-effective energy efficiency programs and projects.

We are pleased to see that the Council has incorporated a sophisticated risk analysis framework into this plan. In an era of uncertain and often highly volatile energy prices, increasing impacts from energy-related greenhouse gas emissions, and a continuing lag in the Northwest's economy, electricity supply risk analysis is especially important. Many of the region's utilities will look to the Council's plan and your excellent staff to help them with their own risk assessment efforts.

Economic Impacts and Economic Benefits

As the State of Washington's lead agency for economic development, we are acutely aware of both the negative economic impacts of rising energy prices and the positive economic opportunities that investments in least-cost resources can have for our state. Compared to the 1998/1999 period, Washington is now spending an additional \$5 billion per year on energy costs - an increase of nearly one and one-half percent in our state GDP devoted to energy. Although we have little or no control over our petroleum and natural gas prices, the

states, utilities, and BPA can have significant influence on how efficiently and cost-effectively we using our electricity resources. The plan's emphasis on least cost efficiency investments is vital to controlling cost of doing business, reducing consumer spending on energy, and making our economy more competitive.

On the positive economic side, there are substantial opportunities that investments in energy efficiency, renewables, and high efficiency resources (such as combined heat and power) can provide. With one of the nation's highest unemployment rates, creating new jobs and increasing economic development opportunities are critically important to Washington State. We know that in 1997 Washington's energy efficiency and renewable energy industry employed nearly 4,000 people and represented more than \$900 million in direct economic activity. The full and sustained implementation of this plan will mean more jobs and more economic opportunities for the Washington and the region.

We are also pleased to see the addition of demand management to the Plan. Not only is it an economically attractive cost strategy for the region, but demand management also can help support our multibillion dollar "smart" technology industry that produces advanced metering, digital circuit breakers, and state-of -the-art electronic controls.

Greenhouse Gas Emissions and Climate Change

In October, Governor Locke set a statewide goal of reducing our greenhouse gas emissions to 1990 levels by 2010 and to 10 percent below those levels by 2020. These are ambitious goals that will require actions by all sectors. By far, the two most important strategies to achieve these goals are reductions in our use of petroleum for transportation and improvements in the efficiency of how we use electricity and natural gas. Electricity and natural gas efficiency programs provide the one of the largest and certainly the most immediate way to control and reduce emissions. The council's plan, if fully implemented, is critical to capturing those greenhouse gas reduction benefits.

We are concerned that the plan includes new coal burning facilities. Any new coal facility that does not use IGCC technology with sequestration of carbon dioxide emissions would substantially increase the region's greenhouse gas emissions. The Council's plan should emphasize that an aggressive and sustained investment in non-carbon efficiency measures and renewables could reduce or eliminate the need for new coal plants. At a minimum, the plan should endorse IGCC as the minimum acceptable coal technology.

Integrated Resource Planning

Many utilities have completed integrated resource plans (IRP) or are working on developing IRPs. The Council has recognized that individual utility IRPs may differ from the overall regional direction of the draft Plan. The Council's rigorous analytical framework makes your plan a regional benchmark against which utilities should compare their plans and determine why their plans differ. We believe that it is important for the Council to work on ways to better align individual utility IRPs and the regional plan. Such alignment would include more

detailed analytical efforts by both groups. In addition, the Council should make its risk analysis tools and expertise available to utilities so that they can better incorporate them into their plans. CTED is ready to provide assistance to the Council and to our state's utilities in those endeavors.

Accountability

Accountability is a fundamental requirement for all levels of government, be it state, BPA, consumer-utilities, or investor-owned utilities that are regulated by the state. Given the plan's emphasis on capturing significant amounts of cost effective energy efficiency, it is vital that you adopt highly transparent and technically sound accountability mechanisms for conservation and energy efficiency investments. At a minimum, a good accountability system would include:

- ◆ Tracking of conservation savings that have been achieved;
- ◆ Clear financial accounting of the specific costs of efficiency investments;
- ◆ Regular compilation and reporting of results to utilities, policy makers, and most especially, the general public, and
- ◆ Periodic adjustments of your estimates of remaining efficiency potential as we capture savings and as new technologies are developed.

In order to make this accountability meaningful the Council must make certain that you have sufficient staff and funding to get the job done. CTED would be very willing to work with the Council to help identify and secure these needed resources.

The Action Plan also calls for the Council to convene regional meetings to deal with who is responsible for market transformation and regional conservation programs in addition to what the utilities will do-- i.e., to come up with a Conservation Strategic Plan. BPA is working on some of these activities but their focus is more on BPA and its customers rather than the region as a whole. The council has a role in assessing whether whatever the BPA group comes up with will be sufficient to achieve the Council's goals for the entire region.

As part of the accountability process, we also urge the Council to ask BPA to develop ways to incorporate the plan's resource priorities into future contracts between BPA and the utilities.

Renewable Energy Resources

The Council should be bold in its support for the development of new renewable resources. The NW has seen tremendous economic and air quality benefits from our existing hydroelectric system – a system that is here today because of bold commitments by the federal government. Similarly, we can see a second “clean energy revolution” for the Pacific Northwest if we make strong commitments to developing renewable resources – resources driven by the need for rate stability, climate stability, and rural economic development.

Transmission

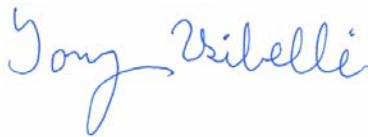
Ensuring that the region has cost effective and adequate power supplies requires both generating resources and transmission facilities. The Council expertise in regional resource planning is well recognized. There are many transmission planning organizations and efforts underway including the RRG, GridWest, NTAC, and BPA internal planning. However, none of these efforts currently includes transmission planning that is comparable to the Council's resource planning. The Council should continue to participate in the processes, but should also consider whether it might be an appropriate entity to undertake some aspects of regional transmission planning in conjunction with its current resource planning efforts. We recognize that such an expansion of Council activities would require more funding, but the lack of a near term regional planning mechanism leaves a void that the Council may well be suited to fill.

Low Income Weatherization

Rising energy prices are having a disproportionate impact on low-income individuals and families. At a minimum the plan should quantify how much cost-effective conservation can be achieved from weatherization, how much non-cost effective conservation can be achieved, the magnitude of the low income weatherization need, and provide some guidance about how low income issues fit into electricity planning.

The Council continues to set a high mark for regional utility planning. Thank you for the opportunity to provide these comments.

Sincerely,



Tony Usibelli
Director, Energy Policy Division